

ZEG OIL & GAS



Oryx Petroleum and Zeg Oil and Gas Announce Strategic Investment

\$30 million cash investment, \$20 million proposed work commitment, and agreement to reduce indebtedness by \$57 million through equity conversion

Calgary, Alberta, March 1, 2016

Oryx Petroleum Corporation Limited (“Oryx Petroleum” or the “Corporation”) and Zeg Oil and Gas Ltd (“Zeg Oil”), today announce that they have entered into a definitive agreement whereby Zeg Oil has subscribed for and been issued 75.7 million common shares of the Corporation for consideration of \$30 million. In addition, Oryx Petroleum intends to contract with an affiliate of Zeg Oil for the provision of \$40 million of drilling and other services related to the appraisal and early production of the Zey Gawra field in the Hawler license area in the Kurdistan Region of Iraq (the “Zey Gawra Contracts”). It is intended that \$20 million of consideration for work performed under the Zey Gawra Contracts will be paid through the issuance of an additional 50.5 million common shares of Oryx Petroleum.

As of December 31, 2015, Netherland, Sewell & Associates, Inc. (“NSAI”), an independent oil and gas consulting firm, estimates that the Zey Gawra field contains gross (100%) proved plus probable oil reserves of 112 million barrels, representing 31% of the 366 million barrels of gross (100%) proved plus probable oil reserves attributable to the Hawler license area.

Zeg Oil is a privately held company based in the Kurdistan Region of Iraq that provides a broad range of engineering and construction services to the energy sector.

The Corporation has also entered into a definitive agreement with the Addax and Oryx Group (“AOG”) to extinguish \$57 million of principal and accrued interest under the \$100 million credit facility provided by AOG to Oryx Petroleum in March 2015, in consideration for 143.4 million common shares of the Corporation. The closing of the subscription by AOG for common shares of the Corporation in consideration of extinguishing debt is subject to minority shareholder approval and acceptance by the Toronto Stock Exchange.

All share issuances in connection with the aforementioned agreements have been, or are proposed to be, based on an Oryx Petroleum share price of C\$0.55 per common share and a fixed Canadian Dollar-United States Dollar exchange rate of 0.7207. Provided all of the transactions contemplated above are approved and are completed, AOG will own 58% and Zeg Oil will own 32% of the Corporation’s common shares outstanding.

Corporate Re-organisation

Oryx Petroleum has recently effected a corporate re-organisation as part of its efforts to reduce costs and to align management and staff requirements with the Corporation’s reduced scope of activities in the near to medium term. The re-organisation included issuing notices of termination to Michael Ebsary, Chief Executive Officer, Craig Kelly, Chief Financial Officer, and Paul Shillington, Chief Legal Officer. Vance Querio, currently Chief Operating Officer, is expected to be formally appointed Chief Executive Officer in the coming weeks. Mr. Kelly’s and Mr. Shillington’s responsibilities will be assumed by remaining employees to



be named in due course. Mr. Ebsary, Mr. Kelly and Mr. Shillington will serve out their extended notice periods in advisory capacities to ensure a smooth transition of responsibilities.

In conjunction with the Zeg Oil Investment, Zeg Oil has the right to nominate two appointees to the board of directors of the Corporation. The two nominees are expected to replace Michel Contie, who has resigned from the board of directors, and Michael Ebsary, who intends to resign from the board of directors to facilitate the transactions.

Comments

Commenting today, Oryx Petroleum's Chief Executive Officer, Michael Ebsary, stated:

"We are delighted to announce a strategic investment by Zeg Oil into Oryx Petroleum. Zeg Oil brings not only funding but access to engineering and construction expertise, very relevant subsurface knowledge and critical local and regional relationships. Importantly, the investment will allow us to pursue the efficient appraisal and initial production of the Zey Gawra field and thus significantly improve our near and medium term cash flow profile. We very much look forward to working with Zeg Oil on the Zey Gawra project."



The Zeg Oil Investment

The key elements of the equity investment by Zeg Oil are as follows:

- Zeg Oil acquired ownership and control of 75,683,994 common shares of Oryx Petroleum by private placement, issued from treasury and representing, on a non-diluted basis, approximately 38% of the issued and outstanding common shares of Oryx Petroleum, for total cash consideration of \$30 million based on an Oryx Petroleum share price of C\$0.55 per common share and a Canadian Dollar-United States Dollar exchange rate of 0.7207 (the "Zeg Oil Investment").
- The \$30 million Zeg Oil Investment is to be used by Oryx Petroleum to fund its share of the costs for appraisal and early production of the Zey Gawra field in the Hawler license area in the Kurdistan Region of Iraq (the "Zey Gawra Project") and to fund working capital needs.
- The Zeg Oil Investment closed today, before markets opened with all funds received. As a result of the Zeg Investment, on the date of this press release, Zeg Oil owns and controls 75,683,994 common shares of Oryx Petroleum, representing approximately 38% of the common shares.
- The common shares are being issued pursuant to the exemption in Section 2.10 of National Instrument 45-106 – *Prospectus Exemptions* on the basis that: (i) Zeg Oil is not an individual; (ii) Zeg Oil is purchasing the common shares as principal; (iii) the cash purchase price for the common shares was greater than C\$150,000 and was paid at the time of distribution; and (iv) only securities of Oryx Petroleum are being distributed to Zeg Oil pursuant to the Zeg Investment.

The Zey Gawra Contracts

The Zey Gawra Contracts are expected to have an aggregate value of \$40 million and are expected to include the following work components:

- New, dedicated production facilities in the Zey Gawra area with a tie-back pipeline from the Zey Gawra field, all of which will be owned by the Hawler Area PSC. Most of the long-lead equipment is already available, and the system is expected to be operational in the second half of 2016. Importantly, the new facilities are expected to be connected to existing facilities at Khurmala where associated natural gas produced from the Zey Gawra field will be processed and then delivered to end users. Previous plans assumed natural gas produced at Zey Gawra would be processed at Demir Dagh potentially requiring sizable capital expenditures.



- Sidetrack drilling of the Zey Gawra-1 discovery well and re-entry and re-completion of the ZAB-1 well, being the original discovery well on the Zey Gawra field. Both wells are expected to be completed for production and on-stream during the second half of 2016. Subject to the results of the first two wells, one or more new wells may be drilled at the Zey Gawra field during the second half of 2016.

Oryx Petroleum's share of total consideration is expected to include the issuance of 50,455,996 common shares of Oryx Petroleum by private placement with value of \$20 million based on an Oryx Petroleum share price of C\$0.55 per common share and a Canadian Dollar-United States Dollar exchange rate of 0.7207.

The Zey Gawra Contracts are subject to negotiation of definitive agreements, the acceptance of the Toronto Stock Exchange and approval of shareholders, if required. The Zey Gawra Contracts are expected to constitute related party transactions under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*. Subject to obtaining all required approvals, the Zey Gawra Contracts are expected to be executed in the second quarter of 2016.

AOG Proposed Debt Re-Capitalisation

- AOG has executed a subscription agreement whereby the Corporation will issue 143,367,988 common shares of Oryx Petroleum to AOG in return for the extinguishment of \$57 million of the principal and accrued interest owed under the \$100 million credit facility provided by AOG to Oryx Petroleum in March 2015 (the "AOG Equity Subscription"). The AOG Equity Subscription assumes an Oryx Petroleum share price of C\$0.55 per common share and a Canadian Dollar-United States Dollar exchange rate of 0.7207.
- The AOG Equity Subscription is subject to approval of the Corporation's shareholders (excluding AOG and Zeg Oil) and acceptance of the Toronto Stock Exchange. The Corporation's board of directors has called a special meeting of shareholders to be held on April 18, 2016 to consider the AOG Equity Subscription. Shareholders of record at the close of business on March 14, 2016 (excluding AOG and Zeg Oil) will be entitled to notice of and to vote at the special meeting.

Pro-Forma Shares Outstanding and Ownership

- Following completion of the Zeg Oil Investment, the Zey Gawra Contracts and the AOG Equity Subscription, the Corporation will have total common shares outstanding of 399,636,461 with AOG owning 58% and Zeg Oil owning 32%.



2016 Capital Program

Oryx Petroleum is in the process of modifying its previously announced 2016 work program such that expenditure levels will not exceed funds currently available or expected to be available as a result of the aforementioned transactions and from expected cash flow from operations. Oryx Petroleum believes this combination of transaction provides it with funding sufficient to meet the requirements of the Zey Gawra Project and to cover other forecasted expenditures until the end of 2016. As such, previously planned drilling of new wells targeting the Demir Dagh Cretaceous reservoir will be deferred until adequate funding is available.

ABOUT ORYX PETROLEUM CORPORATION LIMITED

Oryx Petroleum is an international oil exploration, development and production company focused in Africa and the Middle East. The Corporation's shares are listed on the Toronto Stock Exchange under the symbol "OXC". The Oryx Petroleum group of companies was founded in 2010 by The Addax and Oryx Group P.L.C. and key members of the former senior management team of Addax Petroleum Corporation. Oryx Petroleum has interests in seven license areas, two of which have yielded oil discoveries and five of which the Corporation believe are prospective for oil. The Corporation is the operator or technical partner in five of the seven license areas. Two license areas are located in the Kurdistan Region and the Wasit governorate (province) of Iraq and five license areas are located in West Africa in Nigeria, the AGC administrative area offshore Senegal and Guinea Bissau, and Congo (Brazzaville). Further information about Oryx Petroleum is available at www.oryxpetroleum.com or under Oryx Petroleum's profile at www.sedar.com.

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ABOUT ZEG OIL AND GAS LTD

Zeg Oil is a privately held company based in the Kurdistan Region of Iraq that provides a broad range of engineering and construction services to the energy sector. Zeg Oil's head office is located in Naz City, Erbil, Kurdistan Region of Iraq. Zeg Oil's registered office is located at Trinity Chambers, PO Box 4301, Road Town, Tortola, British Virgin Islands.



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Reader Advisory Regarding Forward-Looking Information

Certain statements in this news release constitute “forward-looking information”, including details of the Corporation’s capital expenditure budget for 2016, drilling plans, development plans and schedules and chance of success, future drilling of new wells, approach to the development of the Hawler license area, expected negotiation and entering of the Zey Gawra Contracts, ultimate recoverability of current and long-term assets, estimates of oil reserves, possible commerciality of our projects, future expenditures and sources of financing for such expenditures, the issuance of shares as a result of the closing of the AOG Equity Subscription and completion of the Zey Gawra Contracts, future ownership of shares, and statements that contain words such as “may”, “will”, “could”, “should”, “anticipate”, “believe”, “intend”, “expect”, “plan”, “estimate”, “potentially”, “project”, or the negative of such expressions and statements relating to matters that are not historical fact, constitute forward-looking information within the meaning of applicable Canadian securities legislation.

Although Oryx Petroleum believes these statements to be reasonable, the assumptions upon which they are based may prove to be incorrect. For more information about these assumptions and risks facing the Corporation, refer to the Corporation’s annual information form dated March 26, 2015 available at www.sedar.com and the Corporation’s website at www.oryxpetroleum.com. Further, statements including forward-looking information in this news release are made as at the date they are given and, except as required by applicable law, Oryx Petroleum does not intend, and does not assume any obligation, to update any forward-looking information, whether as a result of new information, future events or otherwise. If the Corporation does update one or more statements containing forward-looking information, it is not obligated to, and no inference should be drawn that it will make additional updates with respect thereto or with respect to other forward-looking information. The forward-looking information contained in this news release is expressly qualified by this cautionary statement.

Reserves Advisory

Oryx Petroleum’s reserves estimates have been prepared and evaluated as at December 31, 2015 in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* and the Canadian Oil and Gas Evaluation Handbook.

Proved oil reserves are those reserves which are most certain to be recovered. There is at least a 90% probability that the quantities actually recovered will equal or exceed the estimated proved oil reserves. Probable oil reserves are those additional reserves that are less certain to be recovered than proved oil reserves. There is at least a 50% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable oil reserves.

Reserves volumes cited in this news release are gross (100%) values, indicating that figures (i) have not been adjusted for deductions specified in the production sharing contract applicable to the Hawler license area, and (ii) are attributed to the license area as a whole and do not represent Oryx Petroleum’s working interest in such volumes.